

REVIEWS AND AUDITS

Introduction

This module describes the CACFP review and audit process, purposes, contents, formalities, schedules and comparisons between reviews and audits.

Federal regulations require the State agency to conduct effective program oversight. This means that the State agency must ensure that the agency itself and its institutions follow federal and state laws, policies and procedures. Reviews and audits are two processes required by federal regulations to assure that this occurs.

Reviews and audits are two processes required by federal regulations for the CACFP. Reviews are conducted by State agency program staff and are used to examine everyday program operations such as food service management, meal counts, claims and staff training. Audits are conducted by financial authorities and include examination of income to the program, allowable expenses, and compliance with state and federal laws related to employee compensation and taxes owed.

The State agency is required to ensure that the program's financial procedures are being performed correctly and that records are properly kept. Recordkeeping is a key method of accountability for both the State agency and program participants for the following reasons:

- Without accurate and complete records to document meals served to eligible participants, there is no accountability for reimbursement funds dispersed to providers.
- CACFP reimbursements are public funds. The State agency must ensure that CACFP reimbursements are being used only for the purposes that Federal rules allow.
- The State agency uses review and audit processes to make sure that all institutions are operating the program correctly.

Reference Materials

- CACFP [Head Start Review List](#)
- CACFP for [Profit/Nonprofits Review List](#)

Reviews

Reviews of all participating institutions are performed by the State agency. State program staff members called “reviewers” look at all aspects of the program to make sure that program funds are being properly spent.

There are certain steps that are followed with each review performed, beginning with a notification that a review will be performed and ending with review closure.

Notification

Reviews are performed announced or unannounced. The State agency must perform a certain percentage of its reviews unannounced each year.

For an announced review, a reviewer will contact you in advance to inquire about a date. The review will be scheduled verbally and will then be confirmed by email or letter. The confirmation will include a list of the items to be reviewed. The month selected for review may or may not be decided until the day of the review.

For an unannounced review, you will not receive any prior notice at all. A reviewer will arrive at your institution and proceed with the review in the same way as if it were announced. The content of announced and unannounced reviews is exactly the same.

The Review

On arrival for a review, the reviewer will conduct a brief entrance conference during which documents and general information will be requested. In addition to reviewing documents, the reviewer will observe a meal service, visit the kitchen, and verify that all required posters have been posted in the institution. At the end of the review, the reviewer will visit with the director about the general results, mention any suggestions, and compliment areas of performance that are going well. Additional questions can be asked at this time.

Review Letter

The reviewer has up to 30 calendar days to review the information gathered during the review and prepare a letter of response to the institution, including any corrective actions required.

Corrective Action Plan

Corrective actions resulting from errors on a review are written in a Corrective Action Plan, called a CAP. The institution has 30 days to reply to the CAP.

Close Review

After all items in the CAP are satisfied in full according to the State agency, the program specialist will send a letter to the institution to close the review. The institution should keep all correspondence associated with their most recent review on file, in case questions arise.

Items in the Review

The items included in the review are set by both federal and state rules. All aspects of the operation of the CACFP must be reviewed in order to ensure that a center is operating the program correctly. Recordkeeping is the key to passing a review with no corrective actions and no over-claimed meals.

Recordkeeping

Reviewers look for organized, current and accurate recordkeeping. Disorganized, non-current and inaccurate recordkeeping is one of the main reasons for claiming errors and over-claimed meals.

Not all programs are required to keep the same records. For example, Head Start programs and at-risk afterschool programs do not have to collect or maintain income eligibility for their participants. All institutions, however, must keep the following records:

- Contract to operate the CACFP
- Current application approved to operate the CACFP
- Attendance records
- Menus (and recipes if applicable) used to serve CACFP meals claimed
- Original receipts for food, milk and food service labor and other allowable expenses

Meal Counts

During the review, the reviewer will need to verify how many meals were claimed versus how many children were actually in attendance at the time the meal was served.

Administrative Costs

Payroll records of directors and documentation of director hours spent in CACFP administrative operations are allowable costs and might be reviewed.

Food Service Labor Costs

Payroll records for food service managers, cooks and assistant cooks that operate the CACFP for the month of review will be requested in order to document food service labor costs for the month. This will include all food service personnel, personnel who do the grocery shopping and prepare and serve food, and personnel who maintain CACFP records.

Food Service Supplies Costs

First in the list of allowable costs are the groceries that support the menus for the expense period. This includes milk on a regular basis; however, some choose to separate milk from other expenses. Keep in mind that only creditable foods/milk will be counted. Other food service items could include paper supplies, general kitchen janitorial supplies (like dish soap), and replacement dishes and utensils, as needed. Again remember to keep your personal grocery items on a separate receipt. Even more importantly the payment should be made with the business checkbook/credit card and not a personal checkbook/credit card.

Facility Licensing and Approval

If a program has a child care license, the reviewer will check to see if the license is current and posted in a location where parents and center visitors can easily see it. A child care license is not required for Head Starts, afterschool programs for children, adult day care or homeless shelters.

Income Eligibility Forms

All Income Eligibility Forms (IEFs) will be reviewed in order to determine if the forms are current, completed and classified correctly.

Meal Observation

The reviewer is required to observe one meal service during the review. The reviewer will be as unobtrusive as possible during the meal service. Reviewers will not taste or eat any of the foods being served or participate in any way during the meal observation.

Compliance with meal components, family style meal service, adult supervision and overall mealtime success will be noted.

All Other Program Requirements

Reviewers will also check the following items:

- Current week's menus and all menus for the month of review.
- Staff training documentation.
- Civil Rights compliance, including the required Civil Rights wording in the [parent handbook](#) and on your institution's website, along with acknowledgement of CACFP participation in all public notifications.
- Completion of Civil Rights staff training. A [Civil Rights training guide](#) is available for your use.
- Nonprofit food service (to be discussed in Module Four).
- Whether all required posters are visible:
 - [Hand washing posters](#) posted at each sink
 - [Federal Relay Service Poster](#)
 - [Justice for All Poster](#)
 - Current WIC Poster
 - [Building for the Future](#)

Frequency of Reviews

Federal regulations [7 CFR 226.6(m)] require that each institution be reviewed by the State agency at least once every three years. This means that institutions that were reviewed in 2013 can expect to receive a review in 2016, at the latest. The State agency can conduct a review of CACFP operations at any institution at any time for any reason before three years have passed.

Audits

Audits are focused on financial aspects of the CACFP. The purpose of an audit is to verify that all federal funds have been properly spent on the program. Audits are also meant to be helpful to the institution's financial operation of the CACFP. Though auditors review some of the same things that reviewers looked at, auditors are more focused on the income, expenses, and claims operations of the institution and to help improve any financial

practices, as needed. Auditors do not review menus or food production records, visit the kitchen or observe meal services.

Types of Audits

There are two types of audits: A-133 audits and AUP audits.

A-133 Audits

In accordance with the Federal Office of Management and Budget (OMB) A-133 circular, all centers that receive \$500,000 or more in total federal awards during their fiscal year, from all sources, are required to have an A-133 audit performed each year. Institutions that must have an A-133 audit are required to arrange and pay for it themselves. These institutions are allowed to apply for an audit grant to assist with the cost. If an Audit Grant is awarded, the State agency will pay for 67% of the actual documented audit expenses, or percentages based on regulations, whichever is less. Before the audit is performed, a copy of the audit proposal must be submitted to the State agency and prior written approval from the State agency must be obtained.

AUP Audits

AUP stands for Agreed-Upon Procedures audit. Institutions who received less than \$500,000 total in income from federal funds from all sources may be subject to an AUP audit by the State agency. This type of audit is arranged for and paid for in full by the CACFP Program. Each year, the State agency selects institutions to receive this type of audit. The results of these audits are used by the State agency to impose any return of CACFP funds, if necessary, due to program errors discovered during the audit.

Audit Questionnaires

Each year, every institution participating in the CACFP will receive an audit questionnaire. Everyone must complete this form, regardless of the amount of federal funds received. The questionnaire must be returned to the Montana CACFP office no later than June 1st and failure to respond can lead to corrective action. After receipt of all audit questionnaires, the Montana CACFP will determine which centers require an A-133 audit and which centers require an AUP audit.

Announcement of Audit

Each year, the CACFP will send a letter to inform each institution they have been selected for an audit. Shortly after the letter is sent out, the State agency will contact the institution director to schedule the audit. They will also provide a list of items that will be reviewed during the audit. Audits are conducted by auditors of the State agency; typically, two auditors will be present at the institution for the audit.

The audit usually lasts one day or less. Below is a list of items that will be requested by the auditors:

- Monthly Meal Participation Records
- Daily Sign-in Sheets
- Claim reimbursement
- Income Eligibility Forms
- Documentation of food costs (including milk) to calculate nonprofit food service
- Income and Expense Report
- Payroll Records
- Department of Labor poster

Performance of Audit

On the day of the audit, it is important to ensure that all requested documentation is on site, in order, and available. The center director and any accounting personnel performing CACFP functions should be present at the center, or otherwise available if the auditors need them. The auditors might request copies of specific CACFP materials or related materials. After the auditors are finished reviewing all of the materials, the auditors will leave the site.

Audit Report

When the audit is complete, a draft report will be sent to the institution detailing all findings. Institutions will have the opportunity to respond to the draft report if there are any findings. Once the institution has had a chance to review the draft report and any adjustments are made, the final report will be sent to the CACFP. The CACFP will then send the final report to the institution and include a request for any funds due.

A-133 Audits

A-133 audits are a kind of audit generally reserved for institutions with income greater than \$500,000 in federal funds. In some cases, institutions with lesser amounts of federal

income might also be required by the State agency to complete an A-133 audit. These audits concentrate on the financial aspects of the institution, such as its assets and liabilities. With this type of audit, one or more federal programs are selected for each audit cycle; the CACFP may or may not be selected. Overall total financial operations are reviewed for selected periods, usually one year.

How to Prepare

What is the best way to prepare for an audit? If you are checking and consistently filing your documentation throughout the year, you will be better prepared for an audit. All records, receipts, counts, and CACFP-related expenses that prove accuracy of claims to the CACFP are very important in an audit. Any over-claimed amounts will be required to be returned to the CACFP and ultimately to the USDA Food and Nutrition Service.

Reviews and Audits Comparison

Similarities

Reviews and audits are similar in some ways. Both are required by federal regulations and review financial aspects of the institution's operations. Both are concerned with whether or not the institution was properly reimbursed. Both can result in a request to return reimbursement funds. Both are meant to be helpful and improve financial management of the CACFP.

Differences

While audits are solely focused on the financial aspects of your institution, reviews are also focused on menus, feeding styles, sanitation, training, etc. Reviews are performed by reviewers while audits are performed by auditors. If you are an institution that receives over \$500,000 in total federal funds, audits are performed annually, while reviews are performed every three years (or less depending upon circumstances).

Common Errors Found on Reviews

Below are some of common errors found during CACFP reviews performed last year. The list is not all inclusive. State agency staff is always willing to assist institutions with any questions or concerns regarding these processes before or during a review. (Not all errors apply to all institutions. For example, Head Starts and At-Risk After School Programs do not use the CACFP income eligibility forms or processes.)

- Income Eligibility Meal Benefit Forms contain errors.
- Household income incorrectly calculated by institution staff
- Form not signed and dated by institution staff
- Form expired
- Income incorrectly classified
- Monthly Attendance Records contain errors.
- Addition errors
- Children incorrectly marked as participating when they haven't attended at least one CACFP meal during the month
- Insufficient milk purchased for the total of breakfast, lunch and supper meals claimed.
- Food purchase receipts contain errors. Food service labor documents contain errors.
- Food purchase receipts not separated from non-foodservice purchases.
- Personal items included in error on receipts used for the CACFP.
- Menu substitutions not indicated on the menu.
- Refrigerator and freezer temperatures are not maintained within the required range.
- Current sanitarian's report was not available (less than 12 months old).
- Staff training not completed or not documented.
- For nonprofit centers, CACFP oversight not mentioned in board minutes.
- Non-discriminatory statement not included in parent handbook.
- Required posters not posted.

Summary

CACFP reviews and audits are intended to determine if institutions are correctly implementing the program to help maintain integrity and public trust.

There is no need to worry about the review and audit process if you are staying current, filing your records and following program policies. The State agency wants to help you succeed, so call if you have any questions.

Reviews and audits are meant to be helpful to make your program the best it can be and help you feed the participants in your care to the best of your ability. We hope that you better understand what will occur during a review or audit so that you can prepare appropriately for these processes.

Quiz

This quiz contains five questions based on information provided in Module Two. For each question, choose the best answer.

- _____ 1. A CACFP review includes:
 - a. an observation of a meal service.
 - b. an interview with one or more parents or guardians of program participants.
 - c. an assessment of the nutritional needs of all of the participants.
- _____ 2. If an institution receives a Corrective Action Plan (CAP) resulting from a review by the State agency, how many days are allowed for the institution to reply to the State agency to correct it?
 - a. 30 days
 - b. 60 days
 - c. 90 days
- _____ 3. What are audits focused on?
 - a. Staff training
 - b. Food service management processes
 - c. Financial aspects of CACFP operations
- _____ 4. Reviews occur at the following frequency?
 - a. At least every one year
 - b. At least every two years
 - c. At least every three years
- _____ 5. What is the best way to prepare for a review or an audit?
 - a. Establish appropriate recordkeeping processes and maintain a filing system throughout the year.
 - b. Assign the task of preparing for a review or an audit to a staff member.
 - c. Wait to prepare until someone contacts you to set a date.

Activity

Read the section in this module titled “Common Deficiencies Found on Reviews.” From this list, select one item that you will review for accuracy at your center for the current month. List the item you choose to review and create an action plan as to how you will ensure its accuracy in the coming months.